

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023-017

DATE: February 27, 2023

SUBJECT: Alberta Risk Sharing Pools – January 2022 Operational Report

A copy of this bulletin should be provided to your Chief Financial Officer and Appointed Actuary.

Please be advised that the January 2023 Alberta Risk Sharing Pools IFRS 17 Operational Reports are available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

The results in this report are shown on the IFRS 17 accounting basis. However, please note that for interested members, the RSP operational reports on the IFRS 4 basis are available on the FA Portal.

Please note a change in the IFRS 17 ratios shown in the bulletins this month compared to last month. **The denominator of our ratios (loss ratios etc.) is the Insurance Revenue**, calculated as earned premium net of earned expense allowance. Last month, as well as in the 2023 RSP Outlook published to our website, the denominator of the ratios was the earned premium. The Outlook ratios shown in this bulletin have been modified to the new basis for ease of comparison.

Highlights (IFRS 17)

Alberta Grid

- (a) The ***January 2023 received premium*** was \$22.1 million, higher than prior year by \$8.0 million. The ***projected 2023 year-end received premium*** is \$312.4 million;
- (b) The ***January 2023 insurance revenue*** was \$19.3 million, higher than prior year by \$6.1 million. The ***projected 2023 year-end insurance revenue*** is \$214.4 million;
- (c) The ***January 2023 operating result*** was a deficit \$37.3 million, higher than prior year by \$16.0 million. The ***projected 2023 year-end operating result*** is a deficit \$54.9 million;
- (d) The ***January 2023 combined operating ratio*** was 293.3%, lower than prior year by 209.0 percentage points. The ***projected year-end combined operating ratio*** is 125.6%.

Alberta Non-Grid

- (a) The ***January 2023 received premium*** was \$13.3 million, higher than prior year by \$2.3 million. The ***projected 2023 year-end received premium*** was \$193.1 million;
- (b) The ***January 2023 insurance revenue*** was \$10.3 million, higher than prior year by \$0.8 million. The ***projected 2023 year-end insurance revenue*** was \$123.2 million;
- (c) The ***January 2023 operating result*** was a deficit \$61.4 million, higher than prior year by \$10.6 million. The ***projected 2023 year-end operating result*** was a deficit \$72.0 million;
- (d) The ***January 2023 combined operating ratio*** was 697.3%, lower than prior year by 164.2 percentage points. The ***projected year-end combined operating ratio*** was 158.5%.

Alberta Grid RSP - Summary of Financial Results

AB-G RSP Summary of IFRS17 Financial Results

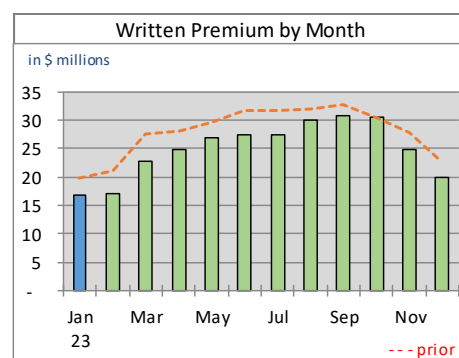
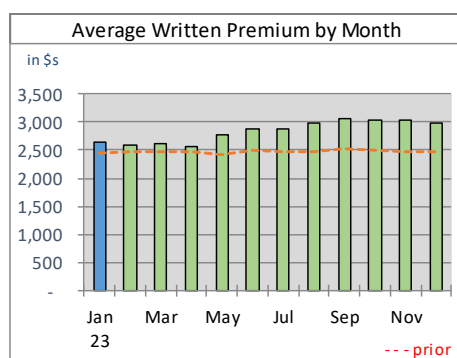
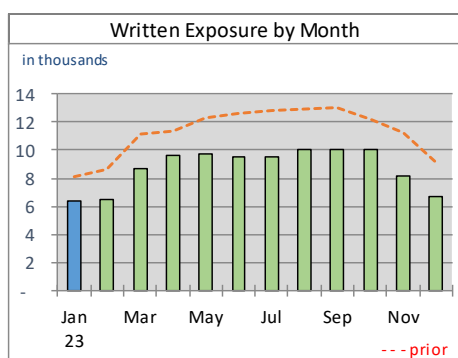
AB Grid RSP 2023 Summary Amounts in \$000s	Actual (January 2023)	Projection (January 2023)	Prior Year (January 2022)	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	16,882	19,446	19,804	310,855	311,241	335,579
Received Premium	22,077	22,642	14,068	312,400	314,752	326,270
Earned Premium	27,665	29,061	18,978	317,022	325,030	281,792
Earned Expense Allowance	(8,378)	(8,818)	(5,737)	(102,597)	(104,928)	(84,570)
Insurance Revenue	19,287	20,243	13,241	214,424	220,101	197,222
Total Claims Incurred	23,196	25,092	13,706	254,279	260,891	190,121
Claims incurred (CAY)	21,539	22,208	15,599	240,732	249,691	213,028
Adjustments to Liabilities for Incurred Claims (PAYs)	1,657	2,884	(1,893)	13,547	11,201	(22,907)
Administrative Expense	209	125	87	2,091	1,990	1,374
Losses on Onerous Contracts	35,048	36,482	54,946	35,048	39,867	46,142
Reversal of Losses on Onerous Contracts	(1,875)	(1,183)	(2,223)	(22,121)	(21,431)	(18,987)
Insurance Service Expenses	56,578	60,516	66,517	269,296	281,317	218,650
Insurance Service Result	(37,291)	(40,273)	(53,275)	(54,872)	(61,216)	(21,428)
Insurance Finance Expense from PV FCF	0	0	0	0	0	22,689
Insurance Finance Expense from Risk Adjustment	0	0	0	0	0	2,190
Insurance Finance Expense from Loss Component	0	0	0	0	0	37,624
Insurance Finance Income (Expense)	0	0	0	0	0	62,503
Operating Result	(37,291)	(40,273)	(53,275)	(54,872)	(61,216)	41,075
Ratios:						
Loss ratio - Claims Incurred (CAY)	111.7%	109.7%	117.8%	112.3%	113.4%	108.0%
- Adjustments to Liabilities for Incurred Claims (PAYs)	8.6%	14.2%	(14.3%)	6.3%	5.1%	(11.6%)
Total	120.3%	124.0%	103.5%	118.6%	118.5%	96.4%
Earned Expense allowance	30.3%	30.3%	30.2%	32.4%	32.3%	30.0%
Change in Loss Component (excluding IFE)	172.0%	174.4%	398.2%	6.0%	8.4%	13.8%
Administrative Expenses	1.1%	0.6%	0.7%	1.0%	0.9%	0.7%
Insurance Service Ratio	293.3%	298.9%	502.3%	125.6%	127.8%	110.9%
Combined Operating Ratio	293.3%	298.9%	502.3%	125.6%	127.8%	79.2%

rounding differences may occur

*as posted to FA's website Jan 17, 2023

Premium (Alberta Grid RSP)

The premium drivers compared to prior year and The Outlook to year-end are:



The vehicle count transfer January 2023 was 6,390 vehicles, which was lower than prior year by 1,746, due primarily to grid rates increase effective January 1, 2023. The transfer was lower than the Outlook by 1,555 vehicles as members review their ceding strategies.

Average premium in January 2023 showed an increase compared to prior year (driven by grid rate changes and change in the mix of risks ceded into the pool). Premium written was below prior year driven by the decrease in vehicle counts transferred to the pool.

Insurance Service Expenses (Alberta Grid RSP)

Insurance expenses for January 2023 include,

- Claims Incurred - Incurred losses in January 2023 were \$23.2 million, lower than projection by \$1.0 million and \$6.0 million higher compared with the same month from last year. Loss ratio was at 120.3%, 2.0 percentage points above projected, and down 6.1 percentage points compared with prior year.
- Losses on Onerous Contracts – The liability for remaining coverage demonstrates a sharp jump in January of each calendar year due to the initial recognition of the future accident year loss component, then gradually decreases for the remainder of the year as losses move into the liability for incurred claims. Initial recognition in January generates a large insurance service result loss in the January result.
- Reversal of Losses on Onerous Contracts – This represents changes in the loss component during the reporting period arising from the portion of the opening LRC earned during the period. Excludes the impact of change in discount rates.
- Administrative Expense: \$0.2 million for January 2023, slightly above projection and in line with prior year.

Projection to year-end 2023 (Alberta Grid RSP)

Compared with The Outlook released in January 2023, written premiums are in line with year-end projection at \$310.9 million. Written Premium showed a decrease compared to prior year driven by grid rate changes and change in the mix of risks ceded into the pool, as well as decreases in vehicle counts transferred to the pool. Earned premium was also reduced by \$8.0 million to \$317.0 million.

The year-end 2023 operating deficit is expected to be \$54.9 million with loss ratios in line with The Outlook. Expense ratios, driven mainly by Insurance Revenue, are expected to be in line with The Outlook

Alberta Non-Grid RSP - Summary of Financial Results

AB-N RSP Summary of IFRS17 Financial Results

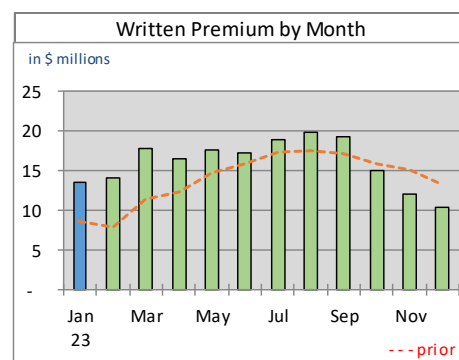
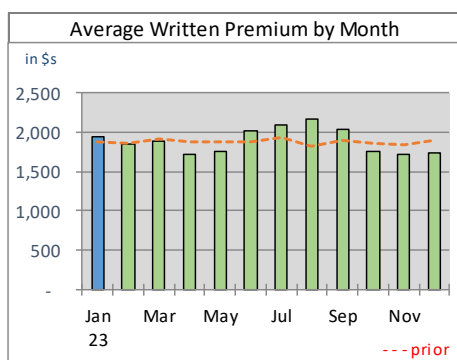
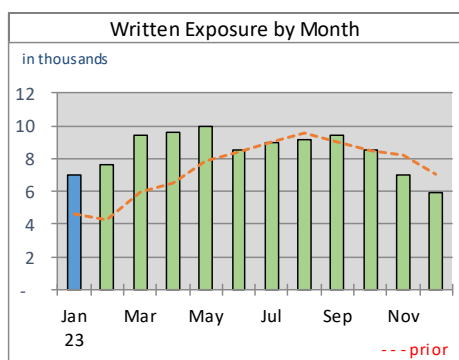
AB Non-Grid RSP 2023 Summary Amounts in \$000s	Actual (January 2023)	Projection (January 2023)	Prior Year (January 2022)	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	13,555	14,077	8,596	192,442	191,006	166,686
Received Premium	13,296	13,314	11,031	193,056	192,218	163,578
Earned Premium	14,775	14,570	13,545	182,944	184,239	161,915
Earned Expense Allowance	(4,503)	(4,449)	(4,098)	(59,739)	(60,115)	(48,676)
Insurance Revenue	10,272	10,121	9,447	123,205	124,124	113,239
Total Claims Incurred	15,041	15,475	12,369	181,397	184,580	157,400
<i>Claims incurred (CAY)</i>	14,107	13,960	13,783	171,609	177,350	153,831
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	934	1,515	(1,414)	9,787	7,230	3,569
Administrative Expense	217	138	87	1,970	1,874	1,418
Losses on Onerous Contracts	58,729	60,530	75,684	58,729	64,839	68,834
Reversal of Losses on Onerous Contracts	(2,358)	(3,507)	(6,751)	(46,867)	(48,135)	(58,300)
Insurance Service Expenses	71,629	72,637	81,389	195,229	203,159	169,353
Insurance Service Result	(61,357)	(62,516)	(71,942)	(72,023)	(79,035)	(56,113)
Insurance Finance Expense from PV FCF	0	0	0	0	0	14,561
Insurance Finance Expense from Risk Adjustment	0	0	0	0	0	1,364
Insurance Finance Expense from Loss Component	0	0	0	0	0	23,371
Insurance Finance Income (Expense)	0	0	0	0	0	39,295
Operating Result	(61,357)	(62,516)	(71,942)	(72,023)	(79,035)	(16,818)
Ratios:						
Loss ratio - Claims Incurred (CAY)	137.3%	137.9%	145.9%	139.3%	142.9%	135.8%
- Adjustments to Liabilities for Incurred Claims (PAYs)	9.1%	15.0%	(15.0%)	7.9%	5.8%	3.2%
Total	146.4%	152.9%	130.9%	147.2%	148.7%	139.0%
Earned Expense allowance	30.5%	30.5%	30.3%	32.7%	32.6%	30.1%
Change in Loss Component (excluding IFE)	548.8%	563.4%	729.7%	9.6%	13.5%	9.3%
Administrative Expenses	2.1%	1.4%	0.9%	1.6%	1.5%	1.3%
Insurance Service Ratio	697.3%	717.7%	861.5%	158.5%	163.7%	149.6%
Combined Operating Ratio	697.3%	717.7%	861.5%	158.5%	163.7%	114.9%

rounding differences may occur

*as posted to FA's website Jan 17, 2023

Premium (Alberta Non-Grid RSP)

The premium drivers compared to prior year and The Outlook to year-end are:



The vehicle count transfer for January 2023 was 6,973 vehicles, which was higher than prior year but lower than projected. Transfer was lower than The Outlook for the month by 485.

Average premium in January 2023 showed an increase compared with prior year. Premium written was above prior year but below our projection.

Insurance Service Expenses (Alberta Non-Grid RSP)

Insurance expenses for January 2023 include,

- Claims Incurred - Incurred losses in January 2023 were \$15.0 million, lower than projection by \$0.4 million and \$2.7 million higher compared with the same month from last year. Loss ratio was at 146.4%, 6.5 percentage points below projected, and up 15.5 percentage points compared with prior year.
- Losses on Onerous Contracts – The liability for remaining coverage demonstrates a sharp jump in January of each calendar year due to the initial recognition of the future accident year loss component, then gradually decreases for the remainder of the year as losses move into the liability for incurred claims. Initial recognition in January generates a large insurance service result loss in the January result.
- Reversal of Losses on Onerous Contracts – This represents changes in the loss component during the reporting period arising from the portion of the opening LRC earned during the period. Excludes the impact of change in discount rates.
- Administrative Expense: \$0.2 million for January 2023, slightly above projection and in line with prior year.

Projection to year-end 2023 (Alberta Non-Grid RSP)

Compared with The Outlook released in January 2023, written premiums is in line with year-end projection at \$192.4 million. While earned premium was also reduced by \$1.3 million to \$182.9 million.

The year-end 2023 operating deficit is expected to be \$54.9 million with loss ratios in line with The Outlook. Expense ratios, driven mainly by Insurance Revenue, are expected to be in line with The Outlook.

We continue to have concerns with the significant growth seen in the Grid Pool during 2022 as well as the dynamics between the two pools as discussed in some detail in the August 2022 highlights. We are however seeing a small decline in January 2023 in the Grid pool following the January 2023 Grid rate increase.

The RSP volume and market share is stable from December 2022 to January 2022 at an all-time high of 7.82%. January saw a reversal in the market share growth of RSP Grid, but an increase in Non-Grid. We will continue to monitor the market share of these pools closely in light of the recently announced rate pause in Alberta, which may lead to changes in member ceding strategy.

Rolling 12 month BI/TPL Written Vehicles
(simulating an annual vehicle count up to the displayed entry month)

	AB			RSP Grid		RSP Non-Grid		RSP Total	
	Total PPxF	Grid Capped	% of Grid	Rolling 12 MTH	Market Share	Rolling 12 MTH	Market Share	Rolling 12 MTH	Market Share
2020-12	2,785,991	197,423	7.09%	66,575	2.39%	69,345	2.49%	135,920	4.88%
2021-01	2,784,578	197,360	7.09%	66,605	2.39%	68,499	2.46%	135,104	4.85%
2021-02	2,785,130	197,459	7.09%	66,694	2.39%	68,188	2.45%	134,882	4.84%
2021-03	2,798,822	198,527	7.09%	66,679	2.38%	66,927	2.39%	133,606	4.77%
2021-04	2,816,239	201,034	7.14%	68,003	2.41%	66,968	2.38%	134,971	4.79%
2021-05	2,814,430	200,456	7.12%	69,542	2.47%	68,192	2.42%	137,733	4.89%
2021-06	2,814,392	200,046	7.11%	71,834	2.55%	72,011	2.56%	143,845	5.11%
2021-07	2,860,363	199,711	6.98%	72,845	2.55%	75,608	2.64%	148,454	5.19%
2021-08	2,864,225	198,639	6.94%	73,501	2.57%	78,708	2.75%	152,210	5.31%
2021-09	2,814,419	195,386	6.94%	74,244	2.64%	80,691	2.87%	154,935	5.51%
2021-10	2,816,384	193,123	6.86%	75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-11	2,819,882	193,578	6.86%	76,424	2.71%	83,540	2.96%	159,963	5.67%
2021-12	2,821,964	194,432	6.89%	76,803	2.72%	84,817	3.01%	161,620	5.73%
2022-01	2,821,261	202,661	7.18%	81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-02	2,823,481	211,693	7.50%	85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-03	2,823,364	223,463	7.91%	91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-04	2,823,606	235,943	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-05	2,830,330	249,667	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-06	2,830,994	262,895	9.29%	106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-07	2,832,111	275,647	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-08	2,840,506	289,759	10.20%	116,511	4.10%	83,714	2.95%	200,225	7.05%
2022-09	2,848,885	303,441	10.65%	121,777	4.27%	85,396	3.00%	207,173	7.27%
2022-10	2,854,508	316,548	11.09%	126,429	4.43%	86,095	3.02%	212,524	7.45%
2022-11	2,862,128	326,853	11.42%	131,484	4.59%	87,475	3.06%	218,959	7.65%
2022-12	2,868,159	334,106	11.65%	135,624	4.73%	88,776	3.10%	224,400	7.82%
2023-01	2,876,159	330,498	11.49%	133,878	4.65%	91,167	3.17%	225,045	7.82%
Min 2018-2023			5.65%		2.27%		2.38%		4.77%
Max 2018-2023			11.65%		4.73%		3.17%		7.82%

Should you require any further information, please call Philippe Gosselin, VP Actuarial and CRO at (416) 863-1750 x4968.

Saskia Matheson
President & CEO

Related Links:

Alberta Grid RSP:

[Alberta Grid RSP Summary of Operations - Calendar Year 2022](#)

*01 month ended January 2023 (discounted basis)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP Summary of Operations - Calendar Year 2022](#)

*01 month ended January 2023 (discounted basis)